



NATIONAL ASSOCIATION OF RETIRED FEDERAL EMPLOYEES
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STATEMENT OF L. J. ANDOLSEK, PRESIDENT
NATIONAL ASSOCIATION OF RETIRED FEDERAL EMPLOYEES
BEFORE THE
HOUSE COMMITTEE ON POST OFFICE AND CIVIL SERVICE
ON THE
RETIREMENT CONTRIBUTION REQUIREMENTS OF POST-1983 FEDERAL EMPLOYEES

September 20, 1983

I am L. J. Andolsek, President of the National Association of Retired Federal Employees, commonly known as NARFE. I am pleased to appear before this Committee on behalf of our half-a-million dues paying members, all of whom are, or soon will be, dependent on the Civil Service Retirement Fund as the major source of their retirement income. We commend you for holding this hearing on the effects of requiring future Federal employees to contribute to both the Civil Service Retirement System and the Social Security System, and appreciate the opportunity to present our views. NARFE is a member organization in the FAIR coalition, and although the views we are presenting today are our own, they are consistent with the basic principles outlined by that 25 member coalition.

Mr. Chairman, the 63 year old Civil Service Retirement System is a testament to the basic policy that employees of the Federal Government deserve a retirement system sufficient to meet their financial needs when they retire from the active workforce. As we approach the threshold of mandatory Social Security coverage for post-1983 Federal hires, we must ensure that no breach occurs in that longstanding commitment to the staff retirement system.

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Under existing law, both current and future career employees are automatic participants in the Civil Service Retirement System, and NARFE is unalterably opposed to any legislative action which would eliminate or interrupt that full workforce participation. During the 20th Century, this nation has embraced a policy of encouraging employers to establish staff retirement plans for the protection of employees during their careers and for providing post-career income based on years of service by granting favorable tax treatment of employer contributions to those systems. For the Government itself to dismiss this policy by allowing even a temporary breach to occur in retirement coverage for new Government employees is inconsistent and unfair. Moreover, for the Government's top personnel officer to propose excluding new employees from the existing system while Congress works to establish a supplemental retirement program which, in his words, "may eventually be enacted" is unbelievable.

The systems which stabilize society and provide a framework for the protection and progress of our nation and its citizens are based on continuity.

The work of Government and indeed the business of life is always undergoing transition. Sincere efforts must constantly be made to eliminate inevitable duplications. However, in some situations a degree of duplication is essential to ensure both continuity and flexibility.

In an effort to gain support for increases in military spending, President Reagan referred to a "window of vulnerability" that would occur if we did not continue funding weapons systems based on current technology at the same time we develop new technologies for the future. We do not claim to be defense experts; however, we are retirement experts and NARFE can assure you that if the Administration succeeds in exempting future employees from participation in the Civil Service Retirement System, even temporarily, it will open a window of vulnerability that will never be closed.

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Mr. Chairman, all employees of the Federal Government must be participants in the staff retirement system whether it be under the total retirement program available to past and current employees, or a yet to be developed supplemental program of benefits coordinated with Social Security for future employees. Until such a program is in place, however, the post-1983 employees must be included in the existing program. If the choice is between a lapse in retirement coverage or full employee contributions to both Federal retirement and Social Security, NARFE must opt for the latter.

As an organization representing former employees from all levels of government, including management and the highly technical, we fully recognize and have voiced concern about the recruitment problems that could result if new employees are required to contribute 14% of pay towards their retirement security. However, it would be extremely difficult to attract highly qualified candidates for Federal employment if we did not offer any retirement system, even for a short period of time, to compete with those available from private sector employers. A new survey by the U. S. Department of Labor found that 84% of full-time workers in large and medium size private companies are covered by private retirement plans as well as Social Security, and in most cases those plans are financed totally by the employer.

We also recognize that morale problems could result from inequitable treatment of current and future employees. Understanding that modifications may be necessary to the amounts of funding derived from each of the three current sources -- employees, employing agencies, and the Government -- does not change the basic premise that those funds must continue to flow into the existing Federal Retirement System and that new employees must continue to be covered by that System. It is presently the one and only retirement system of the Federal Government.

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A number of proposals have surfaced which are consistent with the goals of continued funding and continued coverage that provide enough flexibility to offset any inequities that could arise from requiring new employee participation in both systems. Legislation you introduced to provide a tax credit for employees' contributions to the Federal Retirement System would address many concerns in these areas, although we recognize the practical problems facing enactment of such a plan. As various temporary measures are considered, it is critical that basic coverage in the system not be changed to achieve a short term solution. There can be no lapses in coverage or funding. This is the only way to assure that Congress will be able to consider a full range of options for a supplemental program, when all of the data from the Congressionally approved studies currently underway is available.

Mr. Chairman, NARFE commends you for your efforts to resolve the conflicts which will face the Federal retirement and personnel management systems next year. We look forward to working with you and your staff on addressing them in a temporary fashion and in the future development of a fair supplemental retirement plan for Federal employees hired after 1983. I would be happy to respond to any questions you may have.